

London Bus Services Limited

Annual Report and Financial Statements Year ended 31 March 2011

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Registered Office
Windsor House
42-50 Victoria Street
London
SW1H 0TL

Registered in England & Wales
Number 03914787

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Directors' Report and Business Review

Introduction

The directors present their annual report on the affairs of London Bus Services Limited ("the Company") together with the audited financial statements for the year ended 31 March 2011

In previous years the Company's financial statements have been prepared under UK Generally Accepted Accounting Principles ("UK GAAP") This year the Company has prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") for the first time A reconciliation between the financial position and financial performance reported under UK GAAP and Adopted IFRSs is provided in note 27

Principal Activity

The principal activity of the Company is to provide and secure a network of public bus passenger transport services, and supporting infrastructure, in Greater London The bus services are operated by private operators which work under contract Revenue from passenger ticket fares on bus transport services is retained by the Company In addition, during the year the Company launched the Barclays Cycle Hire Scheme with provision of the service being outsourced to Serco

Business Review

The loss for the year was £4.0 million (2009/10 £0.5 million loss)

Buses

The total number of passenger journeys for the year was 2.289 billion (2009/10 2.257 billion) Bus network income of £1,263 million for the year was 10% higher than the previous year total of £1,144 million After taking into account grant received in support of operations, this year resulted in a profit of £nil (2009/10 £nil)

During the year the Company received a total of £13 million of Green Bus Fund from the Department for Transport which will allow a further 140 diesel hybrid buses to be introduced during 2011

Work commenced on delivery of the new Countdown system to provide real-time passenger information for bus arrival times at all 19,000 bus stops by internet and mobile phone and also signs at 2,500 key bus stops

Network development continued through the year based on market research, liaison with stakeholders and the outcome of consultation This was further enhanced with the introduction of a new internet-based system for consulting on significant proposals for service change Various changes were introduced to reflect changes in travel requirements including new routes 324 and N109 A 20% reduction in bus flows along Oxford Street has now been introduced since 2009 and articulated buses were replaced on routes 18 and 149 New online bus maps were introduced, as part of Transport for London's journey planning information

The contract with Wrightbus for the design and development of the New Bus for London remains on track to deliver a prototype and the first five vehicles by March 2012 Key project milestones have been achieved on programme, including the launch, by the Mayor, of the full-scale mock-up in November 2010

Directors' Report and Business Review (continued)

Business Review (continued)

Cycle Hire Scheme

As of July 2010, the Company introduced the Barclays Cycle Hire Scheme in the centre of London for registered members only. Access for 'casual' users was launched in December 2010 allowing access to the Scheme via credit or debit cards. To April 2011, over 140,000 individual hires had been undertaken and the Scheme had 115,611 registered members. Construction of the second phase is expected to commence in the autumn of 2011 and is planned to be operational prior to the Games in 2012.

Directors

The directors were

D A Brown	Resigned	31 March 2011
L Daniels	Appointed	20 April 2011
R W Hallé	Resigned	1 October 2010
D Hendry		
C Kavanagh		
M Weston		

The Company maintains directors' and officers' liability insurance.

None of the directors had any beneficial interest in the shares of the Company or its parent company.

Risk Management

The Company identifies, manages and mitigates significant areas of business risk as part of the normal course of business. The London Bus Services Limited Business Risk Management framework is set up to complement the basic management of risk by the business and to provide a framework for the organisation to ensure that the business risks are appropriately identified, regularly reviewed and progress tracked on the management of key business risks.

The risks that the Company is exposed to include safety, terrorism, employee relations, reputation and financial. All key business risks are recorded on a risk register. For each risk, an owner has been identified who is responsible for implementing the mitigation strategy which has been identified.

The London Bus Services Limited Strategy Board, comprising the directors, are responsible for overseeing the risk process. The Business Risk Register, mitigation measures and identified actions are reviewed to monitor how key business risks are managed and mitigated.

Directors' Report and Business Review (continued)

Health and Safety

The Company is committed to continuous improvement in health and safety performance. In addition to safety management as part of the normal business activity, safety objectives are identified and regularly reviewed to form short and longer term plans to improve safety and security for customers, employees and contractors as part of the regular London Bus Services Limited safety governance meeting chaired by the Operations Director. In conjunction with the Transport Policing and Enforcement Directorate of Transport for London ("TfL"), the directors of the Company liaise closely with the Metropolitan Police Transport Operational Command Unit who provide dedicated policing for the bus network. Separate governance arrangements have been established for the Barclays Cycle Hire scheme covering both the construction and operational phases.

Employee Involvement and Communications

The Company recognises the role of its employees in enabling the Company to achieve its business objectives. This is reflected in the Board's commitment to equal opportunities and effective employee communications.

Consultation on issues affecting the workforce also takes place at regular intervals with representatives from the Company and trades unions.

Disabled Employees

The Company values the diversity which exists in our city and aspires to this being reflected in our workforce. This is reflected not only in our recruitment and selection processes, but also throughout the employment cycle of every member of staff. We are committed to comply with our legal responsibilities under the Disability Discrimination Act to make "reasonable adjustments" to a person's working conditions wherever possible.

Charitable and Political Donations

No charitable or political donations were made in the year (2009/10 £nil).

Dividends

It is not proposed to declare a dividend for the year (2009/10 £nil).

Corporate Governance

The Company is a wholly owned subsidiary of Transport Trading Limited ("TTL"), which in turn is controlled by TfL, which appoints all the directors of the Company. The Board of the Company, through its Articles and Memorandum of Association and management structure, implements the corporate aims and controls laid down by TfL. Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement.

Disclosure of information to auditors

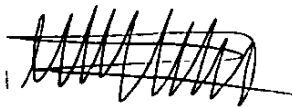
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report and Business Review (continued)

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approved by the Board on 21 June 2011 and signed on behalf of the Board by

A handwritten signature in black ink, appearing to be 'H. Carter', written over a series of horizontal lines.

H Carter
Company Secretary

Independent Auditor's Report

To the Members of London Bus Services Limited

We have audited the financial statements of London Bus Services Limited for the year ended 31 March 2011 set out on pages 8 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Statement of Directors' Responsibilities

in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with Adopted IFRSs and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with Adopted IFRSs, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

To the Members of London Bus Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29 July 2011

Income Statement

Year ended 31 March

	Note	2011 £m	2010 £m
Revenue	1	1,322 0	1,187 5
Net operating costs		<u>(1,884 4)</u>	<u>(1,870 8)</u>
Operating loss	2	(562.4)	(683 3)
Grant income	3	563 6	690 2
Other gains and losses	4	<u>(0.1)</u>	<u>(2 0)</u>
Total profit from operations		1 1	4 9
Financial expenses	8	<u>(5 7)</u>	<u>(5 4)</u>
Loss before taxation		(4.6)	(0 5)
Income tax credit	9	<u>0 6</u>	<u>-</u>
Loss for the year attributable to owners of the Company		<u>(4 0)</u>	<u>(0 5)</u>

Statement of Comprehensive Income

Year ended 31 March

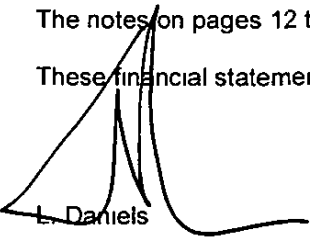
	2011 £m	2010 £m
Loss for the year	(4 0)	(0 5)
Other comprehensive income	-	-
Total comprehensive income for the year attributable to owners of the Company	<u>(4 0)</u>	<u>(0 5)</u>

Statement of Financial Position

	Note	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Non-current assets				
Intangible assets	10	30.2	13.8	4.5
Property, plant and equipment	11	302.3	265.2	252.8
Investment properties	12	1.4	1.3	3.2
Investments	13	-	-	-
		<u>333.9</u>	<u>280.3</u>	<u>260.5</u>
Current assets				
Inventories	14	0.1	0.1	0.1
Trade and other receivables	15	83.4	81.0	55.7
Cash and cash equivalents	16	0.3	0.1	0.1
		<u>83.8</u>	<u>81.2</u>	<u>55.9</u>
Current liabilities				
Trade and other payables	17	(125.6)	(110.9)	(93.9)
Provisions	18	(2.4)	(0.5)	(0.7)
		<u>(128.0)</u>	<u>(111.4)</u>	<u>(94.6)</u>
Non-current liabilities				
Trade and other payables	17	(6.5)	(7.3)	(8.3)
Provisions	18	(0.1)	(3.1)	(0.3)
Borrowings	19	(128.5)	(128.5)	(121.7)
Deferred grant	20	(153.6)	(106.2)	(86.0)
		<u>(288.7)</u>	<u>(245.1)</u>	<u>(216.3)</u>
Net assets		<u>1.0</u>	<u>5.0</u>	<u>5.5</u>
Equity				
Share capital	21	1.0	1.0	1.0
Retained earnings		-	4.0	4.5
Total equity attributable to owners of the Company		<u>1.0</u>	<u>5.0</u>	<u>5.5</u>

The notes on pages 12 to 43 form part of these financial statements

These financial statements were approved by the Board on 21 June 2011 and signed on its behalf by

 L. Daniels

Director

Company Registration Number 03914787

London Bus Services Limited Annual Report and Financial Statements for the year ended 31 March 2011

Statement of Changes in Equity

	Called up share capital £m	Retained earnings £m	Total £m
At 1 April 2009	1.0	4.5	5.5
Loss for the year	-	(0.5)	(0.5)
Other comprehensive income	-	-	-
At 31 March 2010	1.0	4.0	5.0
Loss for the year	-	(4.0)	(4.0)
Other comprehensive income	-	-	-
At 31 March 2011	1.0	-	1.0

Statement of Cash Flows

Year ended 31 March

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Loss for the year		(4 0)	(0 5)
<i>Adjustments for</i>			
Loss on sale of plant and equipment	4	0.2	0 1
Financial expenses	8	5.7	5 4
Amortisation of intangible assets	10	1.8	1 1
Depreciation of property, plant and equipment	11	24.7	18 7
Change in fair value of investment properties	12	(0.1)	1 9
Increase in trade and other receivables	15	(2.4)	(25 3)
Increase in trade and other payables		16 9	12 9
(Decrease)/increase in provisions and employee benefits	18	(1.1)	2 6
Release of deferred grant to Income Statement	20	(10.7)	(6 1)
Net cash generated from operating activities		31.0	10 8
Investing activities			
Proceeds from disposal of property, plant and equipment		-	4 7
Acquisition of intangible assets	10	(18 2)	(10 4)
Acquisition of property, plant and equipment		(65 0)	(35 4)
Grants received	20	58 1	28 9
Net cash used in investing activities		(25 1)	(12 2)
Financing activities			
Interest paid	8	(5.7)	(5 4)
Increase in loans from TfL	19	-	6 8
Net cash (used in)/generated from financing activities		(5 7)	1 4
Net cash movement in the year		0 2	-
Cash and cash equivalents at the start of the year	16	0.1	0 1
Cash and cash equivalents at the end of the year	16	0.3	0 1

Accounting Policies

a) Reporting entity

The Company is domiciled in the United Kingdom ("UK") The Company's registration number is 03914787 The address of the Company's registered office is Windsor House, 42 – 50 Victoria Street, London, SW1H 0TL

b) Statement of accounting policies

This section explains the Company's main accounting policies which, unless otherwise stated, have been applied consistently to all periods presented in these financial statements and in preparing an opening Adopted IFRSs Statement of Financial Position at 1 April 2009 for the purposes of the transition to Adopted IFRSs

c) Basis of preparation

Statement of Compliance

These financial statements have been prepared in accordance with Adopted IFRSs

The Company is preparing its financial statements in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1 *First time adoption of IFRS* ("IFRS 1")

An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 27

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period The following exemptions have been taken in these financial statements

- The Company has elected to use the previous UK GAAP valuation as the deemed cost for all property, plant and equipment,
- The Company has elected to use the previous UK GAAP valuation as the value for all investment properties

The Company has elected to early adopt revised IAS 24 *Related Party Disclosures* ("IAS 24") The only impact of early adopting IAS 24 is on the presentation and disclosure of related party transactions

Basis of measurement

The financial statements are principally prepared on the historical cost basis except for investment properties which are valued at fair value

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Company's financial performance

Accounting Policies (continued)

d) Uses of estimates and judgements

The preparation of financial statements in conformity with Adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below.

Leases

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Company. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on the reported financial position of the Company.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Company. This can be very complex, especially when there is a wide range of possible outcomes.

e) Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the Company's loss of £4.0 million, which the directors believe to be appropriate for the following reasons:

The Company is dependent on funds provided to it by TfL, its ultimate parent, in order to ensure working capital requirements are satisfied. TfL has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make such funds available to the Company.

The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

f) Revenue

Traffic revenue

Fares collected

This relates to passenger fares income from bus transport in the Greater London area. This is recognised as revenue in the financial year in which the travel is completed.

Revenue in respect of free travel for the elderly and disabled

This relates to amounts receivable from the London Borough Councils and County Authorities in respect of free and reduced fare travel for the elderly and disabled. This is recognised as revenue in the financial year in which the travel is completed.

Accounting Policies (continued)

f) Revenue (continued)

Other traffic revenue

This comprises income from sponsorship of bus routes, out of county, cycle hire and subscriptions. Sponsorship and subscriptions are recognised on an accruals basis over the term of the agreements. Out of county and cycle hire is recognised in the financial year in which the travel is completed.

Other revenue

Rents receivable

This is recognised on a straight line basis over the term of the lease.

Commercial advertising

This revenue is recognised on an accruals basis in accordance with the detail of the relevant agreements.

Other revenue

This comprises income from third party contributors and fellow Group undertakings. Both types of income are recognised on an accruals basis and third party contributions are, also, in accordance with the detail of the relevant agreements.

g) Grants

Grants and other contributions received towards the cost of capital expenditure are recorded as deferred grant on the Statement of Financial Position and released to the Income Statement over the estimated useful economic life of the asset to which the grant relates.

Revenue grants received for the funding of operations are credited to the Income Statement in the period to which they relate.

h) Leases (the Company as a lessee)

Leased assets

Leases are operating leases and the leased assets are not recognised in the Company's Statement of Financial Position.

Lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease.

i) Leases (the Company as a lessor)

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

Accounting Policies (continued)

j) Intangible assets

Software costs are measured at cost less accumulated amortisation and accumulated impairment losses

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite

The useful lives for software costs are between 3 and 10 years

Assets under construction are measured at cost and not amortised

k) Property, plant and equipment

Recognition and measurement

Infrastructure consists of land, bus stations, garages, bus shelters, bike stands, properties attached to infrastructure which are not separable from infrastructure, and properties attached to infrastructure which are used to facilitate the service provision and are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Company's activities

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses

Assets under construction are measured at cost

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset

The estimated useful lives for the current and comparative periods are as follows

Infrastructure	Between 10 and 30 years
Other property	Between 20 and 50 years
Plant and equipment	Between 3 and 40 years

Assets under construction are not depreciated

Accounting Policies (continued)

l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the supply of services or for administrative purposes

Investment property is measured at fair value with any change therein recognised in the Income Statement. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

A mix of internal and external professionally qualified valuers is used to measure fair value.

m) Inventories

Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at the lower of cost and net realisable value less provision for obsolescence. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Company will not be able to recover all amounts due, through a review of all accounts and prior experience collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Income Statement.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits with maturity of less than or equal to three months.

p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

q) Impairment

Non-financial assets

At each Statement of Financial Position date, the Company reviews the carrying amount of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Accounting Policies (continued)

q) Impairment (continued)

Non-financial assets (continued)

When an asset is not held for the purpose of generating cash flows but primarily for service provision, value in use is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential

Impairment occurs when an asset's carrying value is below its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

An impairment review is completed for all assets and cash generating units on an annual basis and additionally when there is an indication that an asset may be impaired.

Financial assets

A financial asset is assessed at each Statement of Financial Position date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant assets are tested for impairment on an individual basis. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

All impairment losses are recognised in the Income Statement.

r) Employee benefits

Defined contribution scheme

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Income Statement in the periods during which services are rendered by employees.

Defined benefit plans – multi-employer exemption

The majority of employees are members of a defined benefit scheme to which the Company contributes. However, it is not possible for the Company to identify its share of the underlying assets and defined benefit obligation of the scheme on a consistent and reasonable basis. This is because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. For this reason, as permitted by the multi-employer exemption in IAS 19 *Employee benefits* ("IAS 19"), the scheme is accounted for as a defined contribution scheme and the Company's contributions are charged to the Income Statement as incurred. The disclosures required under IAS 19 are given in note 7.

Accounting Policies (continued)

r) Employee benefits (continued)

Other employee benefits

Other short and long term employee benefits, including holiday pay and long service leave, are measured on an undiscounted basis and recognised as an expense over the period in which they accrue

s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Income Statement except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same tax authority and the Company has the right of set off.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

t) Financial expenses

Financial expenses comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Income Statement using the effective interest method.

Accounting Policies (continued)

u) Financial instruments

Financial instruments are classified in the appropriate categories as defined in IAS 39 *Financial Instruments Recognition and measurement* ("IAS 39")

The Company determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year-end

The Company has two categories of financial instruments which are described as follows

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through profit or loss' or 'available for sale'. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

v) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability where the effect of discounting is material.

w) New standards and interpretations not yet adopted

Standards and interpretations issued by the International Accounting Standards Board ("IASB") are only applicable if endorsed by the EU. The following revisions to International Financial Reporting Standards will be applicable in future periods, subject to endorsement where applicable. These have been issued but have not been applied by the Company in these financial statements.

- Improvements to IFRSs (issued May 2010) (mandatory for the year commencing on or after 1 July 2010 or 1 January 2011) *Endorsed by the EU*
- Amendments to IFRS 7 *Financial Instruments: Disclosures* (mandatory for the year commencing on or after 1 July 2011) *Not yet endorsed by the EU*
- IFRS 9 *Financial Instruments* (mandatory for year commencing on or after 1 January 2013) *Not yet endorsed by the EU*

The Company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Notes to the Financial Statements

1 Revenue

<i>Year ended 31 March</i>	2011	% of	2010	% of
	£m	total	£m	total
Traffic revenue				
Fares collected	1,068.6	80.8%	948.4	79.9%
Revenue in respect of free travel for the elderly and disabled	188.6	14.3%	188.6	15.9%
Other	9.4	0.7%	6.9	0.5%
	<u>1,266.6</u>	<u>95.8%</u>	<u>1,143.9</u>	<u>96.3%</u>
Other revenue				
Rents, advertising and other revenue	<u>55.4</u>	<u>4.2%</u>	<u>43.6</u>	<u>3.7%</u>
Total revenue	<u>1,322.0</u>	<u>100.0%</u>	<u>1,187.5</u>	<u>100.0%</u>

2 Operating loss

<i>Year ended 31 March</i>	<i>Note</i>	2011	2010
		£m	£m
The operating loss is stated after charging/(crediting)			
Intangible assets and property, plant and equipment			
Amortisation of intangible assets	10	1.8	1.1
Depreciation of property, plant and equipment	11	24.7	18.7
Release of deferred grant to the Income Statement	20	(10.7)	(6.1)
Other operating costs			
Employee costs	5	38.0	41.1
Payments under operating leases		2.5	2.2
		2011	2010
		£000	£000
Auditors' remuneration			
Fees for the audit of these financial statements		45.0	45.0
Fees for non-audit services		-	360.0
		<u>45.0</u>	<u>405.0</u>

Notes to the Financial Statements (continued)

3 Grant income

<i>Year ended 31 March</i>	2011 £m	2010 £m
Grant from TfL to fund operations	<u>563.6</u>	<u>690.2</u>

4 Other gains and losses

<i>Year ended 31 March</i>	2011 £m	2010 £m
	<i>Note</i>	
Net loss on disposal of plant and equipment	(0.2)	(0.1)
Revaluation of investment properties	<u>12 0.1</u>	<u>(1.9)</u>
	<u>(0.1)</u>	<u>(2.0)</u>

5 Employee costs

	2011 Number	2010 Number
The average number of persons employed in the year were	<u>750</u>	<u>816</u>
Their aggregate remuneration comprised	<i>Note</i>	
	2011 £m	2010 £m
Wages and salaries	29.0	31.6
Social security costs	2.4	2.5
Pension costs	<u>7 6.6</u>	<u>7.0</u>
	<u>38.0</u>	<u>41.1</u>

Notes to the Financial Statements (continued)

6 Directors' emoluments

	2011 Number	2010 Number
Number of directors who were remunerated by the Company during the year	2	2
The Company made contributions to the defined contribution scheme on behalf of the following number of directors	<u>2</u>	<u>2</u>

Directors' emoluments and benefits were borne by other Group companies for 4 directors (2009/10 3 directors)

The directors received the following remuneration	2011 £	2010 £
Salaries, fees and benefits in kind	294,135	287,455
Defined contribution pension costs	<u>24,231</u>	<u>24,352</u>

The highest paid director received the following remuneration

Salaries, fees and benefits in kind	149,711	146,621
Defined contribution pension costs	<u>12,279</u>	<u>12,340</u>

At 31 March the highest paid director had accrued pensions of

Annual accrued defined benefit – TfL defined benefit scheme	<u>53,243</u>	<u>51,112</u>
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Notes to the Financial Statements (continued)

7 Pensions

a) Background

The Company offers retirement plans to its employees. The majority of the Company's employees were members of the Public Sector Section of the TfL Pension Fund, which is a final salary scheme established under trust. Benefits are based on employees' length of service and final pensionable pay. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 trustee directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's Actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2009 by the Actuary, a partner of consulting actuaries Towers Watson (formerly Watson Wyatt), using the projected unit method.

A revised Schedule of Contributions was agreed between the Trustee and the employers following the 2009 formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2010 until 31 March 2020 will continue to be 31.0%, with additional lump sum payments due in 2018, 2019 and 2020.

Other schemes

The Company also contributes to various small schemes.

b) Accounting

The Company's ultimate parent, TfL, and the Company's fellow subsidiaries participate in the Public Sector Section of the TfL Pension Fund and it is not possible to identify the Company's share of the underlying assets and defined benefit obligation. This is because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. Thus, in accordance with IAS 19, the Company treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The Company's contributions to the Fund of £6.5 million (2009/10 £7.0 million) have been charged to the Income Statement.

A valuation of the Public Sector Section has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2011. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the sections' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the Public Sector Section has been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2009. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements in line with the medium cohort projections.

Notes to the Financial Statements (continued)

7 Pensions (continued)

b) Accounting (continued)

The IAS 19 deficit of the Public Sector Section at 31 March 2011 was £1,492.6 million (2010 £2,095.7 million). As stated above, it is not possible to identify the Company's particular share of the deficit. Further details of the Public Sector Section position can be found in the Statement of Accounts of TfL.

IAS 19 specifies how key assumptions should be derived and applied. These assumptions are often different to the assumptions adopted by the pension scheme actuary and trustees in determining the funding position of pension schemes.

The IAS 19 valuation is broadly based on the Section's assets being valued at market value at the reporting date with the defined benefit obligation being discounted at the rate of return on high quality corporate bonds of equivalent term to the defined benefit obligation. The major assumptions used in this valuation were:

At 31 March	2011 %	2010 %	2009 %
Inflation	3.50	3.75	2.90
Rate of increase in salaries	4.25	4.50	3.65
Rate of increase in pensions in payment and deferred pensions	3.50	3.75	2.90
Discount rate	5.65	5.50	6.90
Investment return	7.36	7.37	6.40

The fair value of the Section's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Section's defined benefit obligation, which are derived from cash flow projections over long periods and thus inherently uncertain, were as shown below. Also shown are the expected long term rates of return which are the best estimates chosen from a range of possible assumptions and, due to the timescale covered, may not necessarily be borne out in practice.

At 31 March	2011 Expected return % pa	Value at 31 March £m	2010 Expected return % pa	Value at 31 March £m	2009 Expected return % pa	Value at 31 March £m
Equities	7.8	3,779.7	8.0	3,104.7	8.0	1,957.2
Bonds	5.0	1,629.4	5.0	1,657.6	4.3	1,171.7
Cash, property and other assets	4.0	11.3	4.1	107.4	3.7	266.5
Total market value of assets		5,420.4		4,869.7		3,395.4
Actuarial value of Section defined benefit obligation		(6,913.0)		(6,965.4)		(4,415.8)
Deficit in the Section		(1,492.6)		(2,095.7)		(1,020.4)

Notes to the Financial Statements (continued)

7 Pensions (continued)

b) Accounting (continued)

The figures above include the assets and defined benefit obligation of the entire Public Sector Section of the TfL Pension Fund, and include members who are employed by, and whose contributions are made by TfL and its subsidiaries. This is because, as stated above, it is not possible to identify the Company's particular share

Other schemes

Contributions of £66,000 (2009/10 £50,000) have been charged to the Income Statement towards various smaller Funds

8 Financial expenses

	2011 £m	2010 £m
Interest on loans from TfL	<u>5.7</u>	<u>5.4</u>

The weighted average interest rate charged on the loans from TfL was 4.38% (2009/10 4.38%)

9 Taxation

The charge/(credit) for the year, based on the rate of corporation tax of 28% (2010 28%), comprised

	2011 £m	2010 £m
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior years	<u>(0.6)</u>	<u>-</u>
Total current tax credit	<u>(0.6)</u>	<u>-</u>
Deferred tax	<u>-</u>	<u>-</u>
Total tax credit for the year	<u>(0.6)</u>	<u>-</u>

During the year the Company received repayable tax credits of £0.6 million in respect of claims for Land Remediation Relief for prior years

Notes to the Financial Statements (continued)

9 Taxation (continued)

Reconciliation of taxation credit

	2011 £m	2010 £m
Loss before tax	(4 6)	(0 5)
Loss before tax multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	(1 3)	(0 1)
Effects of		
Non-taxable and non-deductible items	(0 1)	0 3
Utilisation of brought forward tax losses for which no deferred tax was recognised	(3.1)	-
Amount charged to the current tax computation for which no deferred tax was recognised	4 5	(0 2)
Prior period adjustment	(0 6)	-
Total tax credit for the year	(0.6)	-

Unrecognised deferred tax asset

The Company has a potential net deferred tax asset of £65.3m (2010 £57.3m). No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profit available against which the unused tax losses and unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The potential net deferred tax asset can be attributed to the following:

	2011 £m	2010 £m
Property, plant and equipment	12 4	14 8
Deferred government grants	39 9	29 7
Provisions	0.6	1 2
Tax value of losses carried forward	12 4	11 6
Deferred tax asset	65 3	57 3

At 31 March 2011, the Company had tax losses carried forward of £47.6m (2010 £41.1m) on which a deferred tax asset of £12.4m (2010 £11.6m) has not been recognised.

The corporation tax rate has reduced from 28% to 26% from 1 April 2011 and there will be three further annual 1% cuts to 23% by 1 April 2014. As the decrease in tax rate to 26% was substantively enacted on 29 March 2011, the closing deferred tax balances have been calculated using this rate.

Other than the enacted change to 26%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 March 2011. The impact of the change in corporation tax rate is not material.

Notes to the Financial Statements (continued)

10 Intangible assets

	Software	Assets under construction	Total
<i>Note</i>	£m	£m	£m
Cost			
At 1 April 2009	6.5	3.5	10.0
Additions	6.5	3.9	10.4
Transfers from assets under construction	3.5	(3.5)	-
At 31 March 2010	16.5	3.9	20.4
Additions	-	3.9	3.9
Transfers from fellow Group undertakings	14.3	-	14.3
At 31 March 2011	30.8	7.8	38.6
Amortisation and impairment			
At 1 April 2009	5.5	-	5.5
Charge for the year	2 1.1	-	1.1
At 31 March 2010	6.6	-	6.6
Charge for the year	2 1.8	-	1.8
At 31 March 2011	8.4	-	8.4
Net book value at 31 March 2011	22.4	7.8	30.2
Net book value at 31 March 2010	9.9	3.9	13.8
Net book value at 1 April 2009	1.0	3.5	4.5

Intangible assets consist wholly of software costs

Notes to the Financial Statements (continued)

11 Property, plant and equipment

a) Property, plant and equipment at 31 March 2011 comprised the following elements.

	<i>Note</i>	Infrastructure and other property £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost					
At 1 April 2010		178.0	153.8	63.6	395.4
Additions		7.3	9.3	2.3	18.9
Transfers from fellow Group undertakings		30.7	12.4	-	43.1
Transfers from assets under construction		44.4	8.2	(52.6)	-
Disposals		(6.1)	(1.7)	-	(7.8)
At 31 March 2011		254.3	182.0	13.3	449.6
Depreciation					
At 1 April 2010		69.1	61.1	-	130.2
Charge for the year	2	10.2	14.5	-	24.7
Disposals		(6.0)	(1.6)	-	(7.6)
At 31 March 2011		73.3	74.0	-	147.3
Net book value at 31 March 2011		181.0	108.0	13.3	302.3

Notes to the Financial Statements (continued)

11 Property, plant and equipment (continued)

b) Property, plant and equipment at 31 March 2010 comprised the following elements

	<i>Note</i>	Infrastructure and other property £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost					
At 1 April 2009		169 8	119 6	111 2	400 6
Additions		4 6	2 0	31 9	38 5
Transfers from assets under construction		3 6	75 9	(79 5)	-
Disposals		-	(43 7)	-	(43 7)
At 31 March 2010		178 0	153 8	63 6	395 4
Depreciation					
At 1 April 2009		58 8	89 0	-	147 8
Charge for the year	2	10 3	8 4	-	18 7
Disposals		-	(36 3)	-	(36 3)
At 31 March 2010		69 1	61 1	-	130 2
Net book value at 31 March 2010		108 9	92 7	63 6	265 2
Net book value at 1 April 2009		111 0	30 6	111 2	252 8

c) Capital commitments

At 31 March 2011 the Company had capital commitments which are contracted for but not provided for in the financial statements amounting to £17 7 million (2010 £33 1 million)

Notes to the Financial Statements (continued)

12 Investment properties

	2011 £m	2010 £m	2009 £m
At 1 April	1.3	3.2	2.8
Fair value adjustments	<u>0.1</u>	<u>(1.9)</u>	<u>0.4</u>
At 31 March	<u>1.4</u>	<u>1.3</u>	<u>3.2</u>

13 Investments

	2011 £m	2010 £m	2009 £m
At 31 March	<u>-</u>	<u>-</u>	<u>-</u>

The Company owns 2 ordinary shares of £1 each in London Dial-a-Ride Limited, a dormant company

14 Inventories

	2011 £m	2010 £m	2009 £m
Raw materials and consumables	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

Inventories consist of spares and general parts for maintenance of bus communications equipment

There is no material difference between the Statement of Financial Position value of inventories and their net realisable value

15 Trade and other receivables

	2011 £m	2010 £m	2009 £m
Trade receivables	7.7	5.4	4.3
Amounts due from fellow Group undertakings	57.1	47.3	44.9
Prepayments and accrued income	4.7	26.3	4.8
Other receivables	<u>13.9</u>	<u>2.0</u>	<u>1.7</u>
	<u>83.4</u>	<u>81.0</u>	<u>55.7</u>

Notes to the Financial Statements (continued)

16 Cash and cash equivalents

	2011 £m	2010 £m	2009 £m
Cash at bank	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>

17 Trade and other payables

	2011 £m	2010 £m	2009 £m
Current			
Trade payables	47.4	37.9	3.9
Amounts due to fellow Group undertakings	4.5	5.5	7.5
Other creditors including taxation and social security	1.4	1.5	1.3
Accruals and deferred income	<u>72.3</u>	<u>66.0</u>	<u>81.2</u>
	<u>125.6</u>	<u>110.9</u>	<u>93.9</u>
Non-current			
Accruals, deferred income and retentions	<u>6.5</u>	<u>7.3</u>	<u>8.3</u>

Notes to the Financial Statements (continued)

18 Provisions

	Contractual provisions £m	Other provisions £m	Total £m
At 1 April 2009	0.5	0.5	1.0
Utilised in the year	(0.1)	(0.2)	(0.3)
Charged in the year	1.8	1.4	3.2
Reversed in the year	(0.2)	(0.1)	(0.3)
At 31 March 2010	2.0	1.6	3.6
Utilised in the year	-	(0.1)	(0.1)
Charged in the year	0.1	0.1	0.2
Reversed in the year	(0.5)	(0.7)	(1.2)
At 31 March 2011	1.6	0.9	2.5

	2011 £m	2010 £m	2009 £m
Current	2.4	0.5	0.7
Non-current	0.1	3.1	0.3
	2.5	3.6	1.0

Contractual provisions

Contractual provisions relate to property dilapidations and claims from third parties. These provisions are expected to be settled over the next four years.

Other provisions

Other provisions relate to voluntary severance, holiday pay and employment tribunals. These provisions are expected to be settled within one year.

The provisions are provided for at the directors' best estimate of the likely outcome.

Notes to the Financial Statements (continued)

19 Borrowings

	2011 £m	2010 £m	2009 £m
Non-current			
Amounts due to TfL	<u>128.5</u>	<u>128.5</u>	<u>121.7</u>
	2011 %	2010 %	2009 %
Weighted average interest rate on borrowings	<u>4.4</u>	<u>4.4</u>	<u>4.6</u>

All borrowings are repayable on demand with a two year notice period

20 Deferred grant

	Note	2011 £m	2010 £m	2009 £m
At 1 April		106.2	86.0	90.0
Capital grant received during the year from TfL		42.5	7.9	0.9
Third party contributions and other grants to fund property, plant and equipment		15.6	21.0	3.4
Release of deferred grant to the Income Statement				
- to meet the depreciation charge	2	(10.7)	(6.1)	(8.3)
- on disposal of property, plant and equipment		<u>-</u>	<u>(2.6)</u>	<u>-</u>
At 31 March		<u>153.6</u>	<u>106.2</u>	<u>86.0</u>

There are no unfulfilled conditions or other contingencies attached to the grants from TfL or third party contributors

21 Share capital

	2011 £m	2010 £m	2009 £m
Allotted, issued and fully paid up			
1,000,000 ordinary shares of £1 each	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>

Notes to the Financial Statements (continued)

22 Financial instruments

Financial risk management

The Company's financial risk management operations are ultimately carried out by the Board of Directors

The Company's financial instruments comprise cash and cash equivalents, borrowings from TfL, and various items such as trade receivables and payables that arise directly from operations. The Company finances operations from these financial instruments. The Company does not undertake speculative treasury transactions.

Market risk

The Company is exposed to market risk in respect of interest rate risk only. The Company is not exposed to any material price or currency risk.

Interest risk

The Company does not have any exposure to interest rate risk on its financial liabilities as the only interest bearing financial instruments are fixed interest loans from TfL.

The Company is exposed to interest rate risk on cash balances. This risk is managed by TfL, the Company's ultimate parent.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations. Credit risk arises from deposits with banks and financial institutions and from the Company's customers and suppliers.

The Company follows the TfL Finance Manual guidelines with respect to assessing the credit worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and obtaining additional security when required.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk is low as the Company's ultimate parent TfL provides financial support to the Company.

Borrowings from TfL are repayable on demand with a two year notice period. The likelihood of TfL requesting payment for borrowings is considered to be remote.

Notes to the Financial Statements (continued)

22 Financial instruments (continued)

Categorisation of financial instruments

Cash and cash equivalents, short term investments and trade and other receivables are all categorised as loans and receivables

Trade and other creditors, borrowings, finance lease liabilities and derivative financial instruments are categorised as amortised cost

Contractual maturity of financial liabilities

Borrowings from TfL are repayable on demand with a two year notice period. Interest on borrowings from TfL is paid annually. All other financial instruments are due within one year.

Fair value of financial instruments

The Company's financial instruments are all either expected to be settled in the next financial year or are repayable on demand with a two year notice period.

The fair value of the Company's financial instruments is not materially different to their carrying value.

Capital management

The capital structure of the Company consists entirely of shareholders' equity and borrowings from the Company's ultimate parent TfL.

The Company has no external borrowings and no externally imposed capital requirements.

It is not anticipated that the Company will require external borrowings for the foreseeable future as it is provided with grants and borrowings from its ultimate parent TfL to fund operations and capital projects.

The Company does not have a credit rating but TfL, the Company's ultimate parent which provides financial support to the Company, has a credit rating of AA+ with Fitch and Standard & Poors and AA1 with Moodys.

Notes to the Financial Statements (continued)

23 Financial commitments

a) Operating leases – the Company as a lessee

The Company's operating lease agreements primarily relate to land, offices and motor vehicles. All leases have been entered into on commercial terms.

The Company is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Motor vehicles £m	Total £m
At 31 March 2011			
Within one year	0.8	1.0	1.8
Between one and five years	2.7	0.7	3.4
Later than five years	34.7	-	34.7
	38.2	1.7	39.9
At 31 March 2010			
Within one year	0.8	1.0	1.8
Between one and five years	3.0	0.7	3.7
Later than five years	35.2	-	35.2
	39.0	1.7	40.7

Notes to the Financial Statements (continued)

23 Financial commitments (continued)

b) Operating leases – the Company as a lessor

The Company leases out property and vehicles. The operating lease rentals earned in the year by the Company were £5.9 million (2009/10 £6.0 million).

At the Statement of Financial Position date, the Company had contracted for the following future minimum lease payments:

	Property	Motor vehicles	Total
	£m	£m	£m
At 31 March 2011			
Within one year	2.6	1.5	4.1
Between one and five years	9.0	5.6	14.6
Later than five years	43.8	0.6	44.4
	<u>55.4</u>	<u>7.7</u>	<u>63.1</u>
At 31 March 2010			
Within one year	1.3	1.5	2.8
Between one and five years	3.3	4.5	7.8
Later than five years	30.7	0.8	31.5
	<u>35.3</u>	<u>6.8</u>	<u>42.1</u>

24 Events occurring after the reporting date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

25 Related party transactions

During the year none of the Company's directors, key management personnel or parties related to them have undertaken any material transactions with the Company (2009/10 none).

The Company is a wholly owned subsidiary of TfL. TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 ("GLA Act 1999"). It is a functional body of the Greater London Authority ("GLA") and reports to the Mayor of London. TfL is classified as a government entity in accordance with IAS 24 and the Company is therefore also classified as a government entity in accordance with IAS 24.

The GLA and its other functional bodies, and all other subsidiaries of TfL, are considered to be related parties of the Company.

Notes to the Financial Statements (continued)

25 Related party transactions (continued)

The Company has traded with the following related parties that are classified as government entities under IAS 24

- Receipt of revenue and capital grants from TfL (as disclosed in notes 3 and 20)
- Payment of interest to TfL (as disclosed in note 8 and note 19),

The Company has completed the following transactions, which were collectively but not individually significant, with the following other related parties

- Purchase of Barclays Cycle Hire Scheme assets from TfL,
- Received income for the provision of bus replacement services for London Underground Limited, Rail for London Limited and Docklands Light Railway Limited, and,
- Recharge for various services and provision of equipment by TfL, TTL and other TfL subsidiaries

26 Ultimate parent undertaking

The Company is a wholly owned subsidiary of TTL, a company controlled by TfL, which is the Company's ultimate parent

The largest group in which the results of the Company are consolidated is that headed by TfL, a statutory corporation. The smallest group in which they are consolidated is that headed by TTL incorporated in England and Wales

Copies of TfL's accounts are available from Windsor House, 42-50 Victoria Street, London, SW1H 0TL

Notes to the Financial Statements (continued)

27 Explanation of transition to Adopted IFRSs

As stated in the accounting policies, these are the Company's first financial statements prepared in accordance with Adopted IFRSs

The accounting policies set out on pages 12 to 19 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information presented in these financial statements for the year ended 31 March 2010 and in the preparation of an opening Adopted IFRSs Statement of Financial Position at 1 April 2009 (the Company's date of transition)

In preparing its opening Adopted IFRSs Statement of Financial Position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables

Some of the adjustments to the Statement of Financial Position and Income Statement have been disclosed under the heading 'Reclassified'. This heading has been used where Adopted IFRSs simply requires a different presentation of items in the Statement of Financial Position or Income Statement rather than there being a change in the value of the underlying asset or liability as a result of a difference between Adopted IFRSs and UK GAAP

Notes to the Financial Statements (continued)

27 Explanation of transition to Adopted IFRSs (continued)

Reconciliation of equity as at 1 April 2009 (date of transition to Adopted IFRSs)

	Note	UK GAAP £m	Reclassified £m	Adopted IFRSs transition effect £m	Adopted IFRSs £m
Non-current assets					
Intangible assets	<i>I</i>	-	-	4.5	4.5
Property, plant and equipment	<i>i, iii</i>	249.5	11.0	(7.7)	252.8
Investment properties	<i>iii</i>	-	-	3.2	3.2
		<u>249.5</u>	<u>11.0</u>	<u>-</u>	<u>260.5</u>
Current assets					
Inventories		0.1	-	-	0.1
Trade and other receivables		98.7	(43.0)	-	55.7
Cash and cash equivalents		<u>0.1</u>	<u>-</u>	<u>-</u>	<u>0.1</u>
		<u>98.9</u>	<u>(43.0)</u>	<u>-</u>	<u>55.9</u>
Current liabilities					
Trade and other payables	<i>ii</i>	(124.9)	32.0	(1.0)	(93.9)
Provisions		<u>-</u>	<u>(0.7)</u>	<u>-</u>	<u>(0.7)</u>
		<u>(124.9)</u>	<u>31.3</u>	<u>(1.0)</u>	<u>(94.6)</u>
Non-current liabilities					
Trade and other payables		(130.0)	121.7	-	(8.3)
Provisions		(1.0)	0.7	-	(0.3)
Borrowings		-	(121.7)	-	(121.7)
Deferred grant		<u>(86.0)</u>	<u>-</u>	<u>-</u>	<u>(86.0)</u>
		<u>(217.0)</u>	<u>0.7</u>	<u>-</u>	<u>(216.3)</u>
Net assets		<u>6.5</u>	<u>-</u>	<u>(1.0)</u>	<u>5.5</u>
Equity					
Share capital		1.0	-	-	1.0
Retained earnings	<i>ii, iii</i>	-	-	4.5	4.5
Revaluation reserve	<i>iii</i>	0.8	-	(0.8)	-
Other reserve		<u>4.7</u>	<u>-</u>	<u>(4.7)</u>	<u>-</u>
Total equity attributable to owners of the Company		<u>6.5</u>	<u>-</u>	<u>(1.0)</u>	<u>5.5</u>

Notes to the Financial Statements (continued)

27 Explanation of transition to Adopted IFRSs (continued)

Reconciliation of equity as at 31 March 2010 (last date of UK GAAP financial statements)

	Note	UK GAAP £m	Reclassified £m	Adopted IFRSs transition effect £m	Adopted IFRSs £m
Non-current assets					
Intangible assets	<i>I</i>	-	-	13.8	13.8
Property, plant and equipment	<i>I, III</i>	269.2	11.1	(15.1)	265.2
Investment properties	<i>III</i>	-	-	1.3	1.3
		<u>269.2</u>	<u>11.1</u>	<u>-</u>	<u>280.3</u>
Current assets					
Inventories		0.1	-	-	0.1
Trade and other receivables		129.8	(48.8)	-	81.0
Cash and cash equivalents		0.1	-	-	0.1
		<u>130.0</u>	<u>(48.8)</u>	<u>-</u>	<u>81.2</u>
Current liabilities					
Trade and other payables	<i>II</i>	(147.9)	37.7	(0.7)	(110.9)
Provisions		-	(0.5)	-	(0.5)
		<u>(147.9)</u>	<u>37.2</u>	<u>(0.7)</u>	<u>(111.4)</u>
Non-current liabilities					
Trade and other payables		(135.8)	128.5	-	(7.3)
Provisions		(3.6)	0.5	-	(3.1)
Borrowings		-	(128.5)	-	(128.5)
Deferred grant		(106.2)	-	-	(106.2)
		<u>(245.6)</u>	<u>0.5</u>	<u>-</u>	<u>(245.1)</u>
Net assets		<u>5.7</u>	<u>-</u>	<u>(0.7)</u>	<u>5.0</u>
Equity					
Share capital		1.0	-	-	1.0
Retained earnings		-	-	4.0	4.0
Other reserve		4.7	-	(4.7)	-
Total equity attributable to owners of the Company		<u>5.7</u>	<u>-</u>	<u>(0.7)</u>	<u>5.0</u>

Notes to the Financial Statements (continued)

27 Explanation of transition to Adopted IFRSs (continued)

Reconciliation of loss for the year ended 31 March 2010

	<i>Note</i>	UK GAAP £m	Adopted IFRSs transition effect £m	Adopted IFRSs £m
Revenue		1,187.5	-	1,187.5
Net operating costs	ii, iii	(1,872.2)	1.4	(1,870.8)
Operating loss		(684.7)	1.4	(683.3)
Grant income		690.2	-	690.2
Other gains and losses	iii	(0.1)	(1.9)	(2.0)
Total profit from operations		5.4	(0.5)	4.9
Financial expenses		(5.4)	-	(5.4)
Loss before tax		-	(0.5)	(0.5)
Income tax expense		-	-	-
Loss for the year attributable to owners of the Company		-	(0.5)	(0.5)
Other comprehensive income		-	-	-
Total comprehensive income attributable to owners of the Company		-	(0.5)	(0.5)

Notes to the Financial Statements (continued)

27 Explanation of transition to Adopted IFRSs (continued)

i. Intangible assets

Although the definitions of intangible assets in FRS 10 *Goodwill and Intangible Assets* ("FRS 10") and IAS 38 *Intangible Assets* ("IAS 38") are similar, IAS 38 requires certain assets that would be classified as property, plant and equipment under UK GAAP (for example computer software costs) to be separately disclosed as intangible assets. This reclassification does not impact the measurement of the asset (including amortisation over their useful economic life).

This has resulted in £4.5 million of software costs being reclassified as intangible assets at 1 April 2009 and £13.8 million of software costs being reclassified at 31 March 2010. These costs were previously recorded as property, plant and equipment.

ii. Employee benefits

IAS 19 requires the cost of short-term compensated absences to be recognised when employees render the services that increase their entitlement. As a result, an accrual of £1.0 million was recorded at 1 April 2009. A decrease of £0.3 million in the accrual was recorded in the Income Statement for the year ended 31 March 2010, resulting in an accrual of £0.7 million being recorded at 31 March 2010.

iii. Investment properties and the revaluation reserve

In accordance with IAS 40 *Investment properties* ("IAS 40"), a property was identified as an investment property. This resulted in a reclassification from property, plant and equipment to investment properties of £3.2 million at 1 April 2009 and £1.3 million at 1 April 2010.

In the year ended 31 March 2010, the property's value decreased by £1.9 million from £3.2 million to £1.3 million. Under UK GAAP, £0.8 million of the decrease in the property's value was recorded in the revaluation reserve. The remaining £1.1 million of the decrease was recorded in the Income Statement as net operating costs.

As it is the Company's policy to record the change in the fair value of investment properties in the Income Statement, the revaluation reserve of £0.8 million relating to this property was transferred to retained earnings on transition to Adopted IFRSs. This resulted in £0.8 million of the decrease in the fair value of the property that was previously recorded in the revaluation reserve being recorded in other gains and losses in the Income Statement in the year ended 31 March 2010.

The Company's accounting policy requires the change in the fair value of investment properties to be recorded in the Income Statement as other gains and losses. This resulted in the remaining £1.1 million of the decrease in the value of the property being transferred from net operating costs, where it was recorded as an impairment loss under UK GAAP as the asset's value had fallen below its historical cost, to other gains and losses.

iv. Explanation of material adjustments to the cash flow statement

Under UK GAAP, the Company was not required to, and did not, prepare a cash flow statement. There are no other material differences between the cash flow statement presented under Adopted IFRSs and the cash flow statement that would have been presented under UK GAAP.